) OF HOUSING

ANNUAL REPORT
1993

INTRODUCTION

The Montana Board of Housing was created by the Montana Housing Act of 1975. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes. Under the Housing Act the Board does not receive appropriations from the State's general fund and is completely self-supporting. Substantially all of the funds for Montana Board of Housing operations and programs are provided by the private sector through the sale of tax-exempt bonds.

Montana Board of Housing's public purpose is to provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. Montana Board of Housing accomplishes this purpose by issuing tax-exempt bonds, administering federal housing programs and working in partnership with many other housing providers throughout Montana.

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MONTANA BOARD OF HOUSING
2001 ELEVENTH AVENUE
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MARC RACICOT, GOVERNOR

MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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MESSAGE

To the Honorable Marc Racicot, Members of the State Legislature, Bondholders and Housing Providers:

Representing the Montana Board of Housing, we are pleased to report on the agency's activities and accomplishments for the Fiscal Year 1993.

The pages of this report provide insight into the production levels of Montana Board of Housing benchmark Single Family and Multifamily Programs as well as the progress made in developing new programs to better challenge housing needs in our state.

The highlights of the Montana Board of Housing for Fiscal Year 1993 are:

July 1992:

- Approved the FHA Section 248 Mortgage Insurance Program on Indian Reservations for inclusion in Single Family Mortgage Programs so as to be in a position to offer homeownership opportunities on tribal land.

September 1992:

- Authorized the purchase of single family mortgages guaranteed under the FmHA Guaranteed Rural Housing Program, which is strictly targeted to assist rural areas with populations under 10,000 people.

- In conjunction with the Montana Manufactured Housing Association, established the Manufactured Housing Program to provide for a firm secondary market for financing the purchase of manufactured housing. Provided a commitment of $4,500,000 of 7¾% recycled 30 year mortgage funds for housing placed on a permanent foundation.

October 1992:

- Expanded its commitment to Neighborhood Housing Services, Inc. of Great Falls via a setaside of $448,000 of 6⅞% recycled 30 year mortgage funds to be used in conjunction with the construction and financing of twelve (12) new homes.

January 1993:

- Entered into a partnership with the City and County of Missoula to offer a locally developed affordable homeownership program with a commitment of $3,600,000 of 6⅞% recycled 30 year mortgage funds.

- Endorsed a proposed residential new construction tax-exempt bonding program for energy efficient homes which was developed in conjunction with the Montana Building Industry Association and the Environmental Quality Council, Energy Efficiency Working Group.

February 1993:

- Initiated a Pilot Program for Multifamily Rental Housing seeking proposals from governmental units, non-profits attached to governmental units and private non-profits to develop multifamily rental housing.

March 1993:

- Received and approved a request from the City of Havre to setaside $600,000 of 6⅞% recycled 30 year mortgage funds to provide the permanent mortgage financing for a locally developed and operated first-time homebuyer program.

- Authorized the implementation of the Disabled Accessible Affordable Homeownership Pilot Program via partnerships with Independent Living Centers in the State in order to provide a financing mechanism for architecturally accessible homes for people with disabilities such that they can live independently. $3,500,000 of lendable 30 year mortgage funds with mortgage rates ranging from 2¾% to 6½% were committed and became available on July 1, 1993.

May 1993:

- Four new members appointed by Governor Racicot to the Board of Directors for four-year terms. [Paul Bankhead, Mike McKee, William Oser and Robert Savage]

As you can see much of our focus during the course of the year has been in the development of targeted affordable housing programs to supplement our more traditional programs. Affordability is of more concern now than in recent history and the development of partnerships with able housing providers is critical to challenging the housing needs of given groups of low income individuals and families as well as those of our communities.

Based on partnerships achieved and being aware that meeting the State's growing housing needs cannot be accomplished by any one entity. We are confident that the Montana Board of Housing is well positioned to assist in the provision of affordable housing opportunities for Montanans.

In the coming year, we will focus on informing more Montanans of the housing opportunities available to them through the Montana Board of Housing. Communication is so important. Community meetings are currently being planned for Hamilton, Sidney, Miles City, Ronan, Dillon and in other areas of the State. As a result of these meetings, more families will know about and better understand the programs and the help available through the Montana Board of Housing. The ultimate goal, obviously is to get more families into homes. Our objective is to help those who need help, the young and old alike.

After seven sunsets in thirteen (13) years, we are pleased with the permanent extension of the Mortgage Revenue Bond Program, which was included in the Budget Reconciliation Act of 1993, signed into law by President Clinton on August 10, 1993. Also included in the package was the permanent extension of the Low Income Housing Tax Credit, which has sunset three times since its enactment in 1986.

We would like to thank the Board, especially Russ Dahl, Joe Gerbase, Tom Mather and George McCallum whose terms as Directors expired during the year and the staff who have worked many hours to carry out our public purpose. A special thanks to the lending and real estate communities for their continuing outstanding efforts in working with us in the provision of affordable housing.

Bob Thomas

Bob Thomas
Chairman

Richard A. Kain
Administrator

THE BOARD

The powers of the Board are vested in a seven member Board, who are appointed by the Governor, subject to the confirmation of the State Senate. The majority of the board members' terms coincide with the four-year term of the Governor; the remaining board members serve four-year terms which expire in the middle of the Governor's term. The Chairman of the Board is appointed by the Governor and other officers of the Board are elected by the board members. Each Board member serves until his or her successor is appointed and confirmed by the State Senate.

The Board provides policy direction to the agency staff, authorizes bond issues, approves development financings and evaluates Montana Board of Housing Programs. The commitment of time and energy by Board members has resulted in an improved quality of life for thousands of Montana citizens. Their leadership is vital to the Montana Board of Housing meeting Montana's housing needs.

BOARD MEMBERS

Bob Thomas, Chairman
Insurance, Owner
Bob Thomas Insurance Agency, Stevensville
Term expires: January, 1995

Gerry Hudson, Vice Chairman
Vice President
Intermountain Mortgage Co., Billings
Term expires: January, 1995

Dean Mart, Secretary
Senior Vice President
United Savings Bank, Great Falls
Term expires: January, 1995

Paul Bankhead
Rancher, Heron
Term expires: January, 1997

Mike McKee
President
First Federal Savings and Loan Association, Hamilton
Term expires: January, 1997

William Oser
Insurance, Retired
Billings,
Term expires: January, 1997

Robert Savage
Attorney
Habedank, Cumming, Best and Savage, Sidney
Term expires: January, 1997

MONTANA BOARD OF HOUSING STAFF

Richard Kain
Administrator

Janet Kunz - Administrative Assistant

ACCOUNTING STAFF:
Karen Wynne, Comptroller
Lynn Rolland, Accountant
Sue Mannix, Accountant
Denise Hanson, Accounting Technician
Kurt Lewis, Accounting Technician

MULTIFAMILY PROGRAM STAFF:
Maureen Rude, Multifamily Program Officer

SINGLE FAMILY PROGRAM STAFF:
Robert Morgan, Single Family Program Officer
Desera Towle, Program Specialist
Meredith Miller, Program Specialist
Nita Routzahn, Program Assistant

LEGAL AND PROFESSIONAL SERVICES

BOARD GENERAL COUNSEL:
Luxan and Murfitt
Helena, MT

INDEPENDENT AUDITOR:
Anderson ZurMuehlen and Co., P.C.
Helena, MT

BOARD BOND COUNSEL:
Kutak Rock
Omaha, NE

INVESTMENT BANKING TEAM:
Paine Webber Inc.
San Francisco, CA
D. A. Davidson and Co. Inc..
Great Falls, MT
Dain Bosworth, Inc.
Minneapolis, MN
Merrill Lynch Capital Markets
New York, NY
Piper, Jaffray Inc.
Minneapolis, MN

SINGLE FAMILY PROGRAMS

The Board, during the course of Fiscal Year 1993, offered four home ownership programs, the Single Family Mortgage Program, the Recycled Single Family Mortgage Program, the Mortgage Credit Certificate Program and the Homebuyers Cash Assistance Program. Over the past 17 years the Board has helped over 20,000 individuals and families become homeowners.

SINGLE FAMILY MORTGAGE PROGRAM

The home financing program is exclusively supported from the sale of tax-exempt Mortgage Revenue Bonds issued periodically by the Board. The tax-exempt status allows the agency to pass along the interest savings to lower income persons and families in the form of low-interest home loans.

Mortgage loan applications are originated and processed in compliance with FHA, VA or the FmHA Guaranteed Rural Housing Loan Program underwriting criteria by Board approved Montana real estate lenders. The person or family reserve mortgage funds through the approved lender on a first-come first-serve basis with the Board.

The FHA insured, VA guaranteed or FmHA guaranteed mortgage is generally made for a term of 30 years. The mortgage interest rate is determined by the price the Board must pay to investors on the tax-exempt bonds.

Each person or family in addition to qualifying under the FHA, VA or FmHA requirements must also meet certain program loan requirements and Federal Eligibility Requirements. Generally, the requirements for each person or family are as follows:

- the home is to be owner-occupied with limited business use of the property;
- the purchaser is to be a first-time home buyer except for certain targeted areas;
- the purchase price or construction cost of the home may not exceed the FHA maximum mortgage limit for the area;
- family income may not exceed income limitations as established by the Board;
- the refinancing of an existing home loan is not permitted.

During the Fiscal Year ended June 30, 1993 bond proceeds assisted 442 Montanans purchase a home.

RECYCLED SINGLE FAMILY MORTGAGE PROGRAM

The Board has made additional mortgage funds available through the recycling of mortgage prepayments and other funds held under prior bond issues of the Single Family Mortgage Program. The Board's goal with the recycled funds is to assist those lower income persons and families which do not have the financial capabilities to purchase a safe and sanitary home through other Single Family Programs.

CITY OF HAVRE FIRST-TIME HOMEBUYER PROGRAM

The City of Havre requested in March, 1993 that the Montana Board of Housing commit $600,000 in recycled mortgage funds to be used in conjunction with the City's proposed First-Time Homebuyer Program. Montana Board of Housing mortgage funds will be used to assist 15 low income households to achieve affordable home ownership. The City will use local funds and funds from the Federal HOME Program for downpayments, closing costs and principal loan reductions to assist eligible households become first-time home buyers.

The City has committed $120,000 in local funds to the Program and $100,000 from the HOME Program. The Board did commit $600,000 of 6⅞% recycled 30 year mortgage funds to finance the purchase of a first home by eligible homebuyers.

HUD 203(k) REHABILITATION LOANS

In conjunction with the U. S. Department of Housing and Urban Development (HUD), the Board committed $5,000,000 of recycled 7¾% mortgage funds as the permanent take out financing to lenders closing HUD 203(k) loans. With a HUD 203(k) loan, a homebuyer is provided financing for both the acquisition of a house and also to complete the substantial repairs needed in order for the house to meet HUD appraisal and underwriting criteria at an affordable mortgage rate. In order to be eligible, the homebuyer may not have an annual income in excess of $30,000 and the maximum available loan amount is $60,000. **This Program in Fiscal Year 1993, assisted 2 families to acquire and complete needed repairs on their home.**

MONTANA MANUFACTURED HOUSING PROGRAM

The Board in conjunction with the Montana Manufactured Housing Association provided a commitment of $4,500,000 of 7¾% recycled 30 year mortgage funds to first-time homebuyers for the permanent financing of manufactured homes situated on a permanent foundation, on property owned by the homebuyer. Lot cost, well and septic costs can be included in the loan amount. Borrower annual income is not to exceed $25,000 and the maximum mortgage amount is $65,000.

MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM

In January, 1993 the City and County of Missoula requested that the Montana Board of Housing support an Affordable Homeownership Program, specifically with the provision of a $3,600,000 setaside of 30 year mortgage funds to provide a secondary market for loans resulting from the Program. The proposed Program was a result of a cooperative effort by the Missoula Housing Task Force and expertise specifically derived from local financial institutions, non-profit agencies, low income advocacy groups and others involved with the issue of affordable housing in Missoula.

The objective of the Missoula City-County Affordable Homeownership Program is to provide affordable homeownership opportunities to the residents of Missoula County. Borrowers will be encouraged to select properties located close to services, i.e., bus lines, shopping, medical care facilities, schools, etc. The Program's main goal is to provide the chance for homeownership to those families whose income is 50% and 65% of median as well as those at the 80% level. Downpayment and closing cost assistance will be provided in addition to, when necessary, buying down the mortgage loan amount, in order to bring home prices into affordable ranges for low income buyers.

Assisting lower income families in purchasing homes will free up rentals that will then be made available to other families who choose not to purchase a home or are not in a position to do so. In addition to maintaining control of their housing costs, those assisted will benefit by being able to build equity as well as pride in owning their own homes. It is anticipated that 50 to 55 families will be assisted in obtaining homeownership.

The Board provided a commitment of $3,600,000 of 6⅞% recycled 30 year mortgage funds to the Missoula City-County Affordable Homeownership Program to be used with a $600,000 grant from the Federal HOME Program which will provide downpayment, closing cost and loan mortgage buy down assistance for first-time homebuyers.

NEIGHBORHOOD HOUSING SERVICES, INC. OF GREAT FALLS (NHS)

Neighborhood Housing Services, a non-profit housing provider, has been in operation since 1980 and has had a major impact in revitalizing two neighborhoods in Great Falls. The Board began work with (NHS) in 1986, to offer affordable homeownership opportunities to lower income individuals and families in conjunction with the neighborhood revitalization.

The Board has committed $5,093,000 of recycled 6⅞% and 7¾% 30 year mortgage funds, since 1986, to five separate low income homeownership programs sponsored by (NHS). As of June 30, 1993, through the excellent partnership with (NHS), over 100 individuals and families have achieved affordable homeownership, **with 17 of those becoming homeowners in Fiscal Year 1993.**

MORTGAGE CREDIT CERTIFICATE PROGRAM

The Mortgage Credit Certificate Program was implemented by the Board in July, 1987 as another mechanism to assist lower income persons and families in the purchase of a home. Under the MCC Program, the Board issues certificates to eligible homebuyers which qualifies them for a federal tax credit based on the interest paid on their home loan. This provides the homebuyer with more disposable income to afford their monthly mortgage payments. The annual tax credit is equal to 20% of the annual interest paid on their mortgage loan. The remaining 80% of the interest paid continues to be eligible as an itemized deduction.

The Board works with local real estate lenders to make the MCC available to borrowers, the Board neither purchases the loans, nor provides mortgage funds to the lender. Lenders in the MCC program process the loan applications, establish the mortgage interest rate and set the underwriting requirements. MCC eligibility requirements are generally the same as the Single Family Mortgage Program (refer to page six).

The Board's first MCC program was implemented in July, 1987 and the second MCC program start-up date was August, 1989.

A third MCC Program was made available in June, 1991, with the conversion of $40,000,000 in bond authority for authority to issue $10,000,000 in Mortgage Credit Certificates. As of June 30, 1993 883 individuals and families were assisted by the third program in the purchase of a home, **with 386 of those assisted in Fiscal Year 1993.**

The MCC Programs have assisted 2,583 individuals and families in obtaining $129,000,000 in mortgages for the purchase of a home since July, 1987.

HOMEBUYERS CASH ASSISTANCE PROGRAM

This program, initiated in May, 1991 by the Board, is targeted to assist those credit worthy persons and families lacking the financial resources to purchase a home under any other of the Board's homeownership programs. In order to be eligible for the program, the homebuyer may not have annual income in excess of $23,000 and the home's purchase price may not exceed $50,000. Cash assistance of up to 50% of the minimum cash required to close a loan (maximum advance of $1,000), combined with 6⅞% 30 year mortgage money is available for eligible homebuyers.

Through June 30, 1993, financing for 121 homebuyers, whose average income was $16,993, had been provided with an average permanent loan amount of $35,227 and an average cash assistance loan of $858. **36 homebuyers were assisted during Fiscal Year 1993 by this Program.**

SINGLE FAMILY MORTGAGE PROGRAM
LOANS PURCHASED BY COUNTY

County	Number Of Loans Purchased: Cumulative 4/1/77-FY93	Number Of Loans Purchased: FY93 Activity	Dollars in Mortgages: Cumulative 4/1/77-FY93	Dollars in Mortgages: FY93 Activity
Beaverhead	81	3	$ 3,337,684	$ 171,556
Big Horn	48	0	1,935,291	0
Blaine	64	6	2,290,167	250,145
Broadwater	41	4	1,684,176	162,900
Carbon	66	5	2,721,715	199,979
Carter	1	0	18,000	0
Cascade	2,961	84	133,652,482	4,367,391
Choteau	21	1	767,392	26,535
Custer	400	15	13,940,219	430,469
Daniels	1	0	30,703	0
Dawson	248	6	9,453,604	188,418
Deer Lodge	138	7	4,316,233	313,496
Fallon	38	0	1,465,320	0
Fergus	119	4	4,028,992	144,564
Flathead	1,449	24	71,150,306	1,410,449
Gallatin	743	5	35,845,468	317,167
Garfield	3	0	80,515	0
Glacier	73	4	3,054,971	140,736
Golden Valley	3	0	109,387	0
Granite	5	0	181,680	0
Hill	413	47	17,699,217	2,146,508
Jefferson	97	1	4,575,184	37,566
Judith Basin	5	0	196,650	0
Lake	218	4	8,870,245	190,373
Lewis and Clark	1,233	27	54,759,106	1,418,369
Liberty	6	1	192,794	20,500
Lincoln	165	2	6,421,889	64,600
McCone	15	0	602,774	0
Madison	42	0	1,851,338	0
Meagher	38	3	1,325,314	118,401
Mineral	63	3	2,534,508	128,637
Missoula	2,485	55	125,447,211	3,392,421
Musselshell	19	1	743,676	22,376
Park	198	10	7,119,766	424,302
Petroleum	1	0	19,493	0
Phillips	23	0	932,146	0
Pondera	86	6	3,067,328	224,066
Powder River	5	0	178,893	0
Powell	65	1	2,390,437	34,942
Prairie	4	0	177,510	0
Ravalli	219	4	9,821,227	199,902
Richland	266	16	10,994,959	534,592
Roosevelt	84	7	3,278,125	228,520
Rosebud	49	4	2,176,124	179,424
Sanders	28	2	1,130,921	77,075
Sheridan	11	0	419,832	0
Silver Bow	584	8	20,083,625	347,585
Stillwater	46	1	2,072,322	36,438
Sweetgrass	16	3	697,062	148,400
Teton	34	1	1,400,760	28,492
Toole	54	3	1,900,472	89,045
Treasure	0	0	0	0
Valley	94	3	3,600,759	145,868
Wheatland	8	0	248,943	0
Wibaux	2	0	37,493	0
Yellowstone	4,332	116	210,902,901	5,622,660
STATE TOTAL	17,511	497	$797,935,309	$23,984,867

MULTIFAMILY PROGRAMS

The Board has financed or assisted in the financing of 1,611 multifamily housing units through June 30, 1993 in the State of Montana. Assistance in the development and retention of affordable multifamily units for lower income Montanans has been accomplished through the Multifamily Bond Program and the Low Income Housing Tax Credit Program.

MULTIFAMILY BOND PROGRAM

From 1978 to 1985, the Board financed 668 multifamily housing units in the State. The Board issued multifamily bonds and notes aggregating an initial principal amount of $24,410,000.

Bond and note proceeds were issued to provide construction financing and to purchase permanent multifamily mortgage loans. In addition to being insured by FHA, these projects receive rent subsidies under the HUD Section 8 Program.

In December of 1992, the Board issued its 1992 Series A Multifamily Mortgage Refunding Bonds in the amount of $9,725,000. The bonds refunded the 1979A and 1982A Series. In addition to lowering the debt service requirements on the Multifamily bonds, the refunding made funds available for the Board's Pilot Program for Multifamily Rental Housing.

SUMMARY OF MULTIFAMILY BOND PROGRAMS

Series and Project:	Location	Units	Original Principal Amount	Construction Loan Rate	Permanent Mortgage Loan Rate
1978 Series A:					
Clark Fork Manor	Missoula	134	$ 4,628,000	8.0%	7.0%
1979 Series A (1992 Series A):					
Crestwood Inn	Sidney	72	2,188,500	9.0%	7.5%
Silver Bow Village	Butte	60	1,925,000	8.5%	7.5%
Broadview Manor	Great Falls	20	713,200	8.5%	7.5%
Oakwood Village	Havre	60	1,793,600	8.5%	7.5%
The Elmwoods	Great Falls	18	576,900	8.5%	7.5%
		230	7,197,200		
1982 Series A (1992 Series A):					
Grand View Place	Missoula	48	1,695,200	12.0%	12.0%
Other:					
Miles Building	Livingston	40	1,081,885	14.5%	NA
Cut Bank Hotel	Cut Bank	20	525,400	10.0%	11.0%
		60	1,607,285		
1980 Series A Construction Loan Notes:					
Cedar View	Malta	32	1,269,900	11.0%	NA
Chair III	Whitefish	16	618,400	11.0%	NA
El Dorita Village	Kalispell	36	1,092,000	11.0%	NA
Rose Park Plaza	Billings	112	3,222,100	11.0%	NA
		196	6,202,400		
		668	$21,330,085		

PILOT PROGRAM MULTIFAMILY RENTAL HOUSING

In February of 1993, the Board introduced its Pilot Program for Rental Housing by seeking proposals from governmental units, non-profits attached to governmental units and private non-profits to develop multifamily rental housing. The Program made available $2,500,000 in construction and/or permanent financing at a 6% interest rate to provide 30 and 40 year mortgage funds for affordable rental housing for lower income Montanans. The Board intends to use the capacity and knowledge of local governmental units and non-profits to develop affordable housing to meet local needs.

Eligible applicants are: governmental units (city, county, town, public housing authority) or non-profit subsidiaries of governmental units (such as a non-profit housing development corporation attached to a city, county, town, public housing authority). Limited funds (approximately $500,000 of the $2,500,000) are available for lending to private non-profit groups such as Human Resource Development Councils, Neighborhood Housing Services or other private non-profit special needs corporations.

The eligible applicant must intend to be the owner of the project, oversee the construction and be the property manager for projects financed under this Program. The eligible applicant may contract with private industry for various segments of the project (i.e., architectural services, site work, construction work).

As of June 30, 1993, the Board has committed to the Missoula Human Resource Council to finance a four unit project in Missoula. Additional funding rounds are planned throughout 1993. Under the Pilot Program, some loans are expected to be insured under the FHA 203(b) Program, however, FHA insurance will not be required on all projects.

LOW INCOME HOUSING TAX CREDIT PROGRAM

The Low Income Housing Tax Credit, established by Congress in the Tax Reform Act of 1986, is intended to provide for the retention, rehabilitation and construction of low income rental housing.

Through the tax credit, developers and owners of qualified housing receive an annual federal tax credit for 10 years, based on the number of housing units provided to low income individuals and families and total eligible development costs.

In Fiscal Year 1993, the Board allocated $635,065 in tax credits to assist in the development of five projects containing 154 low income housing units with total projected development costs of $7,681,000. Since the inception of the program in November, 1987, the tax credit has been utilized in the rehabilitation and production of 943 low income housing units in Montana in thirty-eight separate projects.

Low Income Housing Tax Credit Program
Allocations by City
1987 through June 30, 1993

City	Number of Developments	Number of LIHTC Units	LIHTC Allocated	Total Development Costs*
Billings	6	307	$1,120,261	$12,771,023
Bozeman	1	28	94,383	1,201,289
Columbia Falls	1	12	17,216	609,960
Cut Bank	1	19	31,659	1,034,474
Deer Lodge	1	24	24,222	698,472
Fort Benton	1	10	13,938	355,562
Glasgow	1	6	10,724	298,101
Great Falls	3	106	473,648	4,606,820
Hardin	1	16	32,694	736,503
Havre	6	14	11,412	250,745
Kalispell	2	87	348,962	4,603,944
Laurel	1	8	9,016	273,198
Medicine Lake	1	4	3,595	78,576
Missoula	3	122	420,860	4,279,716
Plains	1	9	11,600	310,923
Polson	2	82	141,854	3,374,116
Scobey	1	11	13,980	612,000
Stevensville	1	30	37,178	1,044,900
Whitefish	3	42	86,131	2,015,857
Winnett	1	6	9,626	269,478
Total	38	943	$2,912,959	$39,425,657

* Inclusive of estimated costs for developments not yet completed.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Many senior citizens in Montana own their own homes, and have little or no remaining debt on the home. Many of these homeowners are persons of lower income who would benefit from an additional income source from use of equity in their homes. Reverse Annuity Mortgage (RAM) loans enable senior homeowners to provide more substantially for their own in-home support and specialized care.

The Board implemented a RAM pilot program on October 1, 1990, with an initial funding commitment of $730,300. Under the pilot program 75 to 100 loans will be originated statewide at a 7 percent interest rate. The proceeds will be advanced monthly to the homeowner over a ten year term. Lump-sum advances up to $3,300 will be available at loan closing.

The RAM pilot program is available to senior citizens meeting the following general eligibility requirements:

Age Requirements: All borrowers to be 68 years of age or older.

Income Limit: The Borrower's Annual Family Income must not exceed the following:

1 person household	$10,500
2 person household	13,800
3 person household and up	15,500

Property Eligibility: The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage. The single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

Loan Amount: The loan amounts may range from a minimum of $15,000 to a maximum of $40,000. The maximum loan amount would be determined based on 80% of the FHA determined property value.

Counseling: Potential borrowers must complete a reverse annuity mortgage counseling program provided through the Montana Aging Services Network.

The following statistics for the nine loans closed and three loans prepaid since program inception are indicative of the senior homeowners intended to be assisted with the program:

Community	Household Size	Borrower Age	Borrower Annual Income	Loan Amount
Missoula	1	79	$ 5,652	$36,800
Missoula	1	70	$ 9,326	$40,000
Polson	1	81	$ 7,696	$40,000
Somers	1	71	$ 5,314	$25,000
Butte	1	75	$ 7,104	$25,200
Missoula	1	84	$ 6,960	$28,000
Dillon	2	78 & 78	$ 7,620	$40,000
Hamilton	1	70	$ 9,370	$40,000
Billings	2	85 & 86	$10,626	$40,000
Kalispell	2	84 & 81	$ 9,996	$33,000
Malta	1	70	$ 5,280	$16,800
Great Falls	2	73 & 70	$10,161	$40,000

Average Borrower Age:	77.2 Years
Average Borrower Annual Income:	$ 7,925
Average Loan Amount:	$33,733

Further information on our programs may be obtained by writing: Montana Board of Housing, 2001 11th Avenue, P. O. Box 200528, Helena, MT 59620-0528, or by telephoning (406) 444-3040.

MONTANA BOARD OF HOUSING

FINANCIAL REPORT

JUNE 30, 1993

CONTENTS

& COMPANY

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6TH & LAST CHANCE GULCH
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406•442•1040 FAX 406•442•6748

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montana Board of Housing
Helena, Montana

We have audited the accompanying statements of financial condition as presented in the total column of Montana Board of Housing as of June 30, 1993 and 1992 and the related statements of revenue, expense and changes in fund balances, and cash flows as presented in the total columns for the years then ended. Montana Board of Housing is a component unit of the State of Montana. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Board of Housing as of June 30, 1993 and 1992, and the results of its operations, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Anderson ZurMuehlen + Co., P.C.

Helena, Montana
August 24, 1993

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

MEMBER: American Institute of Certified Public Accountants

OFFICES: Billings, Butte, Helena

MONTANA BOARD OF HOUSING
STATEMENTS OF FINANCIAL CONDITION
June 30, 1993 and 1992

ASSETS	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Cash and cash equivalents (Note 2)	$ 1,756,702	$ 97,939
Investments (Note 3)	173,842,142	5,132,445
Mortgage loans receivable, net (Note 4)	371,517,292	12,838,129
Interest receivable - Mortgage loans	3,077,810	84,586
- Investments	1,844,808	54,549
Deferred bond issuance costs, net	6,716,558	243,604
Due from other funds	191,194	-
Fixed assets, net of accumulated depreciation of $142,863 in 1993 and $121,251 in 1992	72,256	-
Prepaid expense	10,664	-
Total Assets	$ 559,029,426	$ 18,451,252
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 294,594	$ 2,160
Cost of issuance payable	-	-
Accrued interest on bonds payable	5,950,971	461,586
Due to other funds	206,977	9,618
Bonds payable, net (Note 6)	489,736,245	14,203,161
Accrued compensated absences	38,645	-
Contingent arbitrage rebate tax liability payable to U. S. Treasury Department (Note 14)	455,130	-
Total liabilities	496,682,562	14,676,525
COMMITMENTS (Note 8)	-	-
FUND BALANCES		
Reserved fund balances (Pledged to bondholders) (Notes 1 and 8):		
Single Family Programs	46,859,346	-
Escrow Deposits - Single Family Program	-	-
Various Recycled Mortgage Programs	15,487,518	-
Multifamily Programs	-	3,774,727
Maintain Bond Ratings	-	-
Reverse Annuity Mortgage Program	-	-
Cash Assistance Program	-	-
Designated Housing Trust Fund	-	-
Total fund balances	62,346,864	3,774,727
Total Liabilities & Fund Balances	$ 559,029,426	$ 18,451,252

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Totals 1993	Totals 1992
$ 21,786	$ 1,876,427	$ 3,153,706
1,474,324	180,448,911	206,369,512
147,817	384,503,238	449,256,819
12,360	3,174,756	3,749,832
1,206	1,900,563	2,267,386
-	6,960,162	8,736,163
25,401	216,595	314,912
-	72,256	95,461
-	10,664	9,724
$ 1,682,894	$ 579,163,572	$ 673,953,515
$ -	$ 296,754	$ 307,177
-	-	31,855
-	6,412,557	7,418,809
-	216,595	314,912
-	503,939,406	596,107,299
-	38,645	31,557
-	455,130	349,502
-	511,359,087	604,561,111
-	-	-
724,809	47,584,155	55,947,510
174,599	174,599	417,939
-	15,487,518	7,438,607
-	3,774,727	3,940,004
78,000	78,000	78,000
684,807	684,807	698,547
20,679	20,679	22,580
-	-	849,217
1,682,894	67,804,485	69,392,404
$ 1,682,894	$ 579,163,572	$ 673,953,515

MONTANA BOARD OF HOUSING
STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES
Years Ended June 30, 1993 and 1992

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
REVENUE		
Interest income on mortgage loans	$ 36,928,317	$ 1,030,668
Interest income on investments	11,514,747	286,662
Fees	1,007	-
Investment gain	682,471	25,982
Other income	444	1,267
Total revenue	49,126,986	1,344,579
EXPENSE		
Interest on bonds	44,447,406	1,024,295
Servicer fees	1,543,894	16,240
Amortization of bond issuance cost	1,162,502	15,246
General and administrative operations	1,008,928	35,868
Arbitrage rebate tax (Note 14)	105,627	-
Loss on redemption (Note 7)	357,815	-
Total expense	48,626,172	1,091,649
EXCESS REVENUE OVER EXPENSE BEFORE EXTRAORDINARY ITEM	500,814	252,930
EXTRAORDINARY LOSS ON BOND REDEMPTION (Note 16)	(1,506,210)	(418,208)
EXCESS (DEFICIENCY) REVENUE OVER EXPENSE	(1,005,396)	(165,278)
FUND BALANCES, BEGINNING OF YEAR		
Reserved fund balances (Pledged to bondholders)	63,352,260	3,940,005
Designated fund balances	-	-
Residual equity transfer (Note 17)	-	-
FUND BALANCES, END OF YEAR		
Reserved fund balances (Pledged to bondholders)	$ 62,346,864	$ 3,774,727

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Totals 1993	Totals 1992
$ 8,259	$ 37,967,244	$ 42,271,734
54,048	11,855,457	14,245,168
69,654	70,661	86,469
-	708,453	38,834
-	1,711	10,704
131,961	50,603,526	56,652,909
-	45,471,701	49,530,791
-	1,560,134	1,719,143
-	1,177,748	661,540
49,206	1,094,002	996,348
-	105,627	72,383
-	357,815	438,512
49,206	49,767,027	53,418,717
82,755	836,499	3,234,192
-	(1,924,418)	-
82,755	(1,087,919)	3,234,192
2,100,139	69,392,404	64,230,707
-	-	1,927,505
(500,000)	(500,000)	-
$ 1,682,894	$ 67,804,485	$ 69,392,404

MONTANA BOARD OF HOUSING
STATEMENTS OF CASH FLOWS
Years Ended June 30, 1993 and 1992

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) revenue over expense after extraordinary loss on bond redemption	$ (1,005,396)	$ (165,278)
Adjustmentments to reconcile net cash provided by operating activities:		
Extraordinary loss on bond redemption	738,410	243,683
Depreciation	23,206	-
Amortization of bond and mortgage costs, including loss on bond redemptions	5,840,353	187,639
(Increase) decrease in:		
Other assets	908,720	51,073
(Decrease) increase in:		
Other liabilities	(785,010)	15,972
Mortgage loan and real estate owned receivable payments:		
Scheduled	10,003,336	130,803
Prepaid	78,787,392	-
Allowance for doubtful accounts	-	-
Purchase of mortgage loan receivables	(23,377,494)	-
Net cash provided by (used in) operating activities	71,133,517	463,892
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Bond issuance cost	(362,460)	(177,085)
Proceeds from sale of bonds	22,520,000	9,725,000
Redemption premium on mortgage bond refunding	(767,800)	(174,525)
Principal payment of bonds	(119,078,772)	(9,870,000)
Net cash provided by (used in) non-capital financing activities	(97,689,032)	(496,610)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Residual equity transfer	-	-
Purchase of fixed assets	-	-
Net cash used in capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	1,403,950,563	41,121,810
Purchase of investment securities	(1,378,434,033)	(41,241,536)
Net cash provided by (used in) investing activities	25,516,530	(119,726)
Net increase (decrease) in cash and cash equivalents	(1,038,985)	(152,444)
Cash and cash equivalents at beginning of year	2,795,687	250,383
Cash and cash equivalents at end of year	$ 1,756,702	$ 97,939

Supplemental information:
- Cash paid for interest expense
- Disposal of fully depreciated fixed assets
- Non-cash financing activity:
  - Cost of issuance

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Totals 1993	Totals 1992
$ 82,755	$ (1,087,919)	$ 3,234,192
-	982,093	-
-	23,206	18,112
-	6,027,992	5,200,978
14,121	973,914	587,483
(167,877)	(936,915)	471,139
-	10,134,139	9,670,473
-	78,787,392	48,452,040
-	-	(100,000)
(38,643)	(23,416,137)	(45,148,336)
(109,644)	71,487,765	22,386,081
-	(539,545)	(779,936)
-	32,245,000	50,000,000
	(942,325)	
-	(128,948,772)	(43,365,314)
-	(98,185,642)	5,854,750
(500,000)	(500,000)	-
-	-	(49,545)
(500,000)	(500,000)	(49,545)
29,096,501	1,474,168,874	520,750,634
(28,572,707)	(1,448,248,276)	(550,030,880)
523,794	25,920,598	(29,280,246)
(85,850)	(1,277,279)	(1,088,960)
107,636	3,153,706	4,242,666
$ 21,786	$ 1 876,427	$ 3,153,706
	$ 41,324,099	$ 49,268,094
	$ 1,594	$ 60,703
	$ -	$, 29,207

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS
June 30, 1993 and 1992

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:
The Montana Board of Housing is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income as determined in accordance with Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed $975,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the payment of amounts so issued. The Board of Housing is attached to the Department of Commerce for administrative purposes.

Basis of Accounting:
The Board uses the accrual basis of accounting wherein revenue is recognized when earned and expense is recognized when incurred. Financial activities of the Board are recorded in funds established under various bond resolutions.

Reporting Entity:
In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting agency. The Board of Housing is includable as a component unit within the State of Montana financial statements. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

Fund Accounting:
To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenue and expense. The Board is classified as a proprietary fund, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expense incurred is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

Reserved fund balances (pledged to bondholders) represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the reserved fund balances:

> The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Due to the general obligation nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain reserve requirements on cash and investments. These reserve requirements are disclosed in Note 3 to the financial statements. Also, as disclosed in Note 4 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met before optional redemption of bonds. Also, bond rating agencies

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued):

require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

Reserve fund balances also include reserved and committed funds for various programs established by the Board.

For the year ended June 30, 1992, designated fund balances represented funds that were reserved to enhance bondholder security, to finance in whole or in part future housing needs, to establish new programs and to provide for continuing operations as prescribed by the Montana Board of Housing.

The following is a description of the Board's individual Funds:

SINGLE FAMILY MORTGAGE PROGRAM FUNDS - These funds, established under ten separate trust indentures adopted on various dates, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

The accompanying June 30, 1993 financial statements present the Single Family Mortgage Program Funds in one column. The assets of each individual Single Family Mortgage Program Fund are restricted by the Fund's respective trust indenture; therefore, the total does not indicate that the Single Family Mortgage Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific loan programs. These loans will be originated from funds available in the Single Family I and II Indenture.

MULTIFAMILY MORTGAGE PROGRAM FUNDS - These funds, established under a trust indenture adopted February 23, 1978 as amended and restated as of December 29, 1992, are prescribed for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. Mortgage loans originated prior to December 1992 must be insured by the Federal Housing Administration.

HOUSING TRUST FUND - The Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board and any loans or grant projects that will provide housing for lower income persons and families with special housing needs. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program (RAM) for senior Montana homeowners and the homebuyers Cash Assistance Program (CAP) to assist lower income individuals and families in the purchase of a single family home. During fiscal 1993 the Board approved a supplemental trust indenture pledging all housing trust funds as additional security to the benefit of the bondholders.

FINANCIAL PROGRAM FUND - Subsequent to June 30, 1992, the Board transferred all residual funds from the Financial Program Fund to the Housing Trust Fund.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:
For purposes of the cash flow statement, cash and cash equivalents consist of cash held by the State of Montana treasurer, cash held by trustees and mortgage payments in transit.

Investments:
The Board's bond trust indentures restrict investment obligations to any of the following, which are legal investments for fiduciaries under the laws of the State of Montana:

> U. S. Treasury obligations, U.S. agency obligations, direct obligations of the State or any political subdivision of the State rated in either of its two highest rating categories by a nationally recognized bond rating agency, public bonds and notes fully secured as to payment of principal and interest by a payment agreement with the United State of America, repurchase agreements with U. S. Treasury or U. S. agency obligations as the underlying securities, and certificates of deposit with Federal Reserve System member banks or any Federal Savings and Loan Insurance Corporation member savings and loan association with U. S. Treasury or U. S. agency obligations as collateral to the extent not insured.

Investments, which are generally intended to be held to maturity, are reported at amortized cost. Investment premiums or discounts of $1,000 or more are amortized using the straight-line method over the life of the investment. Short-term discount investments are reported at cost.

Mortgage Loans Receivable:
Permanent mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and commitment fees (reservation fees per the Board) less an allowance for doubtful accounts. Mortgage discounts and commitment fees are amortized using the interest method over the life of the mortgage loans for mortgages purchased with Single Family III through X Mortgage Program Funds and accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight line method over the remaining life of the mortgage loans and accreted to interest income.

Foreclosed property represents the uncollected principal balance of foreclosed loans, net of insurance/guaranty payments applied to the principal and is included in mortgage loans receivable.

Interest Receivable - Mortgage Loans and Foreclosed Property:
Interest is accrued based upon the amount of outstanding mortgage loan principal. Not more than six months interest is accrued or recognized as income on loans in arrears or in some phase of liquidation.

Interest accrues on all foreclosed property except real estate owned from the last interest "paid to date" to the date of the first insurance/guaranty proceeds check.

Interest accrues on real estate owned from the last interest "paid to date" to the trustee sale date of the foreclosed property. Interest receivable is carried net of insurance/guaranty proceeds collected and applied to interest receivable.

Servicer Fees:
The Board incurs mortgage loan service fees with participating loan servicers. The service fees are based upon individual outstanding monthly mortgage loan principal balances, and paid only when the mortgagee's full monthly payment is collected.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets:
Fixed assets are recorded at cost and depreciation is computed using the straight-line method over estimated useful lives of 3 to 10 years. The majority of fixed assets consists of computers and software.

Fee Income:
Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Board and for other specific services are recorded as income in the period received.

Amortization of Bond Premiums and Discounts:
Bond premiums and discounts are amortized or accreted to interest expense using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds.

Amortization of Bond Issuance Cost:
Bond issuance costs, including underwriter discounts, are amortized using the bonds outstanding method over the life of the bonds or are expensed upon early redemption of the bonds.

Bonds Payable - Net:
Bonds payable is adjusted for unamortized bond premiums and discounts.

Compensated Absences:
The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

NOTE 2. CASH AND CASH EQUIVALENTS

As disclosed in Note 3, the Board's investments are categorized to give an indication of the level of risk assumed by the Board. These same risk categories are used below for cash and cash equivalents. All cash held by trustees and cash balances maintained by the State of Montana Treasury were covered by federal depository insurance or collateralized by securities held by third parties in the Board's name. Cash on hand and in transit was uninsured and uncollateralized.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Fund	Category 1*	Category 2	Category 3	Totals 1993	Totals 1992
Program Funds	$1,861,540	$ -	$ -	$1,861,540	$2,999,705
Cash on hand or in transit to trustees	-	-	-	-	48,999
Deposited with State Treasury	14,887	-	-	14,887	105,002
	$1,876,427	$ -	$ -	$1,876,427	$3,153,706

* Cash deposits are held at the trustee bank. Based on the opinion of the Boards' bond council, these funds are insured by the FDIC on a pass-through basis to the owners of mortgage bonds. Thus, each individual bondholder is entitled to $100,000 of insurance coverage.

NOTE 3. INVESTMENTS

The Board's investments are categorized below to give an indication of the level of risk assumed by the Board. Category 1 includes investments which are insured, registered or held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments that are held by the counterparty, or by its trust department or agent but not in the Board's name. The Board's investments at June 30, 1993 and 1992 consisted of Category 2 investments:

	1993		1992	
	Carrying Amount	Market Value	Carrying Amount	Market Value
U. S. Treasury	$ 56,908,258	$ 73,393,624	$ 52,567,780	$ 63,585,658
U. S. Agency	94,241,281	95,129,533	106,703,572	107,633,628
Repurchase agreements (collateralized)	29,299,372	31,733,764	47,098,160	49,197,868
Totals	$ 180,448,911	$ 200,256,921	$ 206,369,512	$ 220,417,154

All repurchase agreements were fully collateralized with securities and cash held by the provider and confirmed by the trustee as required by the bond indentures.

Portions of cash and investments are restricted to uses specified by applicable bond indentures. Amounts are restricted as follows:

	1993		1992	
	Total Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Total Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Debt service reserve	$ 63,842,829	$ 837,100	$ 60,043,466	$ 1,150,000
Mortgage reserve	3,299,420	201,150	3,907,000	275,840
Totals	$ 67,142,249	$ 1,038,250	$ 63,950,466	$ 1,425,840

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 4. MORTGAGE LOANS RECEIVABLE

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. Mortgage loans receivable consist of the following:

	1993	1992
Mortgage loan receivables:		
Single Family Program	$ 376,880,079	$ 442,293,314
Multifamily Program	12,917,468	13,048,270
Housing Trust Program	147,817	109,174
	389,945,364	455,450,758
Net mortgage discounts and deferred reservation fees	(5,352,126)	(6,103,939)
Allowance for doubtful accounts *	(90,000)	(90,000)
Foreclosed property, net	-	-
Real estate owned	-	-
	$ 384,503,238	$ 449,256,819

* The allowance for doubtful accounts for mortgage receivables includes $40,000 at June 30, 1993 and 1992 for future estimated losses on real estate owned.

NOTE 5. MULTIFAMILY ESCROW AND RESERVE DEPOSITS HELD IN TRUST

For the year ended June 30, 1993, escrow and reserve deposits for certain Multifamily mortgages were held in trust for the mortgagor for insurance, real estate taxes and a reserve for replacement under the terms of certain Regulatory Agreements between the Board and the mortgagors. The escrows amounted to $250,150 at June 30, 1993. The escrows are invested with the earnings credited to the mortgagor of the project, not the Board. The escrow and related liabilities are not reflected in the accompanying statement of financial condition.

NOTE 6. BONDS PAYABLE, NET

Bonds payable, net consists of the following:

	Original Amount	1993	1992
Single Family I Mortgage Bonds:			
1977 -			
Series A, 4.5% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2008	$ 21,470,000	$ 11,325,000	$ 11,915,000
Series B, 4.15% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2008	35,060,000	18,750,000	19,740,000

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Single Family I Mortgage Bonds:			
1978 -			
Series A, 5.05% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2003 and October 1, 2009	13,600,000	7,540,000	7,970,000
1987 -			
Series A, 5.3% to 8.625% interest, maturing in scheduled annual installments to April 1, 2000 and on April 1, 2018	20,000,000	13,820,000	15,595,000
Series B-1 and B-2, serial and term bonds, 6.25% to 9% interest, maturing in scheduled annual installments to April 1, 2002 and on April 1, 2007, April 1, 2014, and April 1, 2019	20,000,000	14,135,000	16,095,000
1988 -			
Series A-1 and A-2 serial, term and Postponed Revenue on Future Income Tax Exempt Securities (PROFITS), 5.4% to 8.5% interest, maturing in scheduled annual installments to April 1, 2003 and on April 1, 2012, April 1, 2019, and April 1, 2027; PROFITS are reported at an accreted value	19,998,793	15,812,435	17,717,110
Total bonds outstanding		81,382,435	89,032,110
Unamortized bond discount		(43,206)	(49,168)
Total bonds payable, net		81,339,229	88,982,942
Single Family II Mortgage Bonds:			
1979 -			
Series A, 5.1% to 6.6% interest, maturing in scheduled annual installments to June 1, 1997 and on June 1, 2000 and June 1, 2011	100,000,000	58,925,000	62,665,000
1980 -			
Series A, 7.7% to 9% interest, maturing in scheduled annual installments to June 1, 2000 and on June 1, 2012	50,000,000	-	31,210,000

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Single Family II Mortgage Bonds:			
1982 -			
Series A, 8.5% to 13.5% interest, maturing in scheduled annual installments to June 1, 1996 and on June 1, 2002 and 2006	55,000,000		7,160,000
1983 -			
Series A, 5.25% to 9.875% interest, maturing in scheduled annual installments to June 1, 1998 and on June 1, 2003 and 2008	30,000,000	10,430,000	13,820,000
Series B, 8% to 9.625% interest, maturing in scheduled annual installments to June 1, 1996 and on June 1, 2003 and 2008	55,000,000	23,925,000	30,240,000
Series C, serial, term and Capital Appreciation Bonds (CAB), 5.75% to 10.7% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002; CABs are reported at an accreted value, and are scheduled for redemption, in part, in semi-annual installments commencing June 1, 2003 to June 1, 2010	114,998,229	42,829,625	56,032,140
1984 -			
Series A, serial, term and CABs, 7% to 10.375% interest, serial and term bonds maturing in scheduled annual installments to June 1, 2002; CABs are reported at an accreted value, and are scheduled for redemption, in part, in annual installments commencing June 1, 2005 to June 1, 2010	75,002,290	27,238,015	44,550,359
1985 -			
Series A, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS), 5.5% to 9.75% interest, serial and term bonds			

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Single Family II Mortgage Bonds: maturing in scheduled semi-annual installments to December 1, 1998 and December 1, 2013 to June 1, 2015; CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1999 to December 1, 2004 and December 1, 2015 to June 1, 2016; PROFITS are reported at accreted value, and begin to pay interest semi-annually, scheduled for redemption, in part, in semi-annual installments commencing December 1, 2010 to June 1, 2013	39,999,625	20,558,383	26,503,854
1985 - Series B, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS), 5.7% to 9.75% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 1995, June 1, 2003 to June 1, 2011, and June 1, 2014 to June 1, 2017; CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1996 to December 1, 2002; PROFITS are reported at accreted value, and begin to pay interest semi-annually on June 1, 1997 and are subject to mandatory redemption commencing December 1, 2011 to December 1, 2013	74,996,862	22,094,411	28,088,871
1992 - Series RA, serial and term, 5.65% to 6.5% interest, serial and term bonds maturing in scheduled semi-annual installments commencing June 1, 2003 to December 1, 2007, and December 1, 2012, December 1, 2022, and December 1, 2032	22,520,000	22,520,000	-
Total bonds outstanding		228,520,434	300,270,224
Unamortized bond discounts		(53,418)	(302,936)
Total bonds payable, net		228,467,016	299,967,288

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Single Family III Mortgage Bonds:			
1988 -			
Series B-1 and B-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.9% interest, maturing in scheduled semi-annual installments to October 1, 2008, and October 1, 2014 and 2020	25,000,000	19,105,000	21,950,000
Single Family IV Mortgage Bonds:			
1989 -			
Series A-1 and A-2, serial and term senior bonds, and subordinate bonds, 7% to 9.2% interest, maturing in scheduled semi-annual installments to October 1, 2004, and October 1, 2009, October 1, 2018 and 2020	25,000,000	20,080,000	22,320,000
Single Family V Mortgage Bonds:			
1990 -			
Series A-1 and A-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.525% interest, maturing in scheduled semi-annual installments to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017 and October 1, 2021	25,000,000	22,025,000	24,160,000
1990 -			
Series B-1 and B-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.5% interest, maturing in scheduled semi-annual installments from October 1, 1992 to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017, October 1, 2021 and April 1, 2022	25,000,000	22,740,000	24,570,000

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Single Family VII Mortgage Bonds:			
1990 -			
Series C-1 and C-2, serial and term bonds and subordinate bonds, 6.55% to 8.95% interest, maturing in semi-annual installments from October 1, 1992 to October 1, 2004, October 1, 2010, October 1, 2017, October 1, 2021 and April 1, 2022	25,000,000	22,865,000	24,825,000
Single Family VIII Mortgage Bonds:			
1991 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 5.2% to 8.275% interest, maturing in semi-annual installments from April 1, 1993 to October 1, 2006, October 1, 2017, October 1, 2019 and October 1, 2022	25,000,000	23,850,000	25,000,000
Single Family XI Mortgage Bonds:			
1991 -			
Series B-1 and B-2, serial and term bonds and subordinate bonds, 5.50% to 8.4% interest, maturing in semi-annual installments from April 1, 1993 to October 1, 2004 to October 1, 2006, October 1, 2022 and April 1, 2023	25,000,000	24,265,000	25,000,000
Single Family X Mortgage Bonds:			
1992 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 4.45% to 7.85% interest, maturing in semi-annual installments from April 1, 1994 to October 1, 2006, October 1, 2016, October 1, 2022 and October 1, 2023	25,000,000	25,000,000	25,000,000
Total Single Family Mortgage bonds payable, net		489,736,245	581,775,230

All single family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100 to 103.

Single Family III through X mortgage senior bonds are special obligation bonds of the Board of Housing whereas subordinate bonds are general obligation bonds of the Board of Housing.

Single Family I and II mortgage series bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1993	1992
Multifamily Mortgage Bonds:			
1978 -			
Series A, 6.125% interest, maturing in scheduled annual installments to August 1, 2019	$ 4,865,000	$ 4,420,000	$ 4,475,000
1979 -			
Series A, 5.4% to 6.875% interest, maturing in scheduled annual installments to August 1, 1999, and on August 1, 2021	8,660,000	-	7,900,000
1982 -			
Series A, 12.75% interest, maturing in scheduled annual installments to August 1, 2023	1,945,000	-	1,915,000
1992 -			
Series A, 2.95% to 6.55% interest, serial and term bonds, maturing in scheduled semi-annual installments February 1, 1994 to August 1, 2006 and August 1, 2012 and August 1, 2023	9,725,000	9,725,000	-
Total bonds outstanding		14,145,000	14,290,000
Unamortized bond premiums		58,161	60,377
Unamortized bond discounts		-	(18,308)
Total Multifamily Mortgage bonds payable, net		14,203,161	14,332,069
Combined total bonds payable, net		$ 503,939,406	$ 596,107,299

All multifamily bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption after various dates at prices ranging from 100 to 105.

The following is a summary of bond principal and interest requirements as of June 30, 1993:

Years Ending June 30:	Single Family Mortgage Principal Program Funds	Multifamily Mortgage Principal Program Funds	Principal Totals	Interest Totals
1994	$ 14,235,000	$ 165,000	$ 14,400,000	$ 34,347,028
1995	15,500,000	210,000	15,710,000	33,194,068
1996	16,612,695	220,000	16,832,695	32,131,220
1997	16,650,764	230,000	16,880,764	31,379,904
1998	16,184,277	245,000	16,429,277	30,512,933
Subsequent years	410,650,132	13,075,000	423,725,132	495,281,005
Totals	$ 489,832,868	$ 14,145,000	$ 503,977,868	$ 656,846,158

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 7. LOSS ON REDEMPTION

During the years ended June 30, 1993 and 1992, the Board redeemed Single Family mortgage program bonds prior to scheduled maturity as follows:

	1993	1992
Single Family I		
October 1	$ 2,095,000	$ 1,480,000
April 1	2,925,000	2,075,000
	5,020,000	3,555,000
Single Family II		
October 1	-	5,134,987
December 1	28,483,250	1,829,955
June 1	22,553,722	11,665,372
	51,036,972	18,630,314
Single Family III		
October 1	1,345,000	870,000
April 1	1,280,000	985,000
	2,625,000	1,855,000
Single Family IV		
October 1	1,235,000	855,000
April 1	785,000	1,025,000
	2,020,000	1,880,000
Single Family V		
October 1	770,000	200,000
April 1	1,110,000	520,000
	1,880,000	720,000
Single Family VI		
October 1	400,000	45,000
April 1	1,185,000	385,000
	1,585,000	430,000
Single Family VII		
October 1	875,000	-
April 1	855,000	175,000
	1,730,000	175,000
Single Family VIII		
October 1	375,000	-
April 1	645,000	-
	1,020,000	-
Single Family IX		
October 1	75,000	-
February 1	150,000	-
April 1	385,000	-
	610,000	-
Total	$ 67,526,972	$ 27,245,314

All such bonds were redeemed at par or 100% of their compounded value to the date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expensed at time of redemption and are reported as loss on redemption in the financial statements.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 8. COMMITMENTS

The Board is in the process of purchasing Single Family Mortgages of approximately $488,944.

The Board has reserved $11,754 in cash assistance funds as of June 30, 1993.

The Board has committed to purchase Single Family Mortgages as noted below:

Neighborhood Housing Services, Inc., Great Falls	$	998,656
Missoula City-County Affordable Housing program		3,600,000
Cash Assistance program		889,528
203(k) Loan program		4,899,334
Manufactured Home program		4,500,000
City of Havre - First Time Home Buyers program		600,000
	$	15,487,518

These mortgage commitments will be funded through cash and investments.

Investments in the amount of $174,599 were committed under escrow deposit agreements for the Single Family X (1992 series A) Bonds.

The Board leases office space at $2,225 per month per a lease agreement expiring June 30, 1993. The lease was renewed, effective July 1, 1993.

NOTE 9. BAD DEBTS AND ESTIMATED LOSSES ON MORTGAGE RECEIVABLES AND REAL ESTATE OWNED

The Board recognized the following bad debts and estimated losses on Single Family mortgage receivables and real estate owned using the allowance method:

Balance, July 1, 1991	$	190,000
Provision		(5,802)
Less: Net loans charged off		94,198
Balance, June 30, 1992		90,000
Provision		(18,903)
Less: Net loans charged off		18,903
Balance, June 30, 1993	$	90,000

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 10. RELATED PARTY TRANSACTIONS

The Board incurred administrative expense with the Department of Commerce of $36,826 and $32,914 for the years ended June 30, 1993 and 1992, respectively. Additionally, the Board incurs certain operating expenses through the State of Montana. For the years ended June 30, 1993 and 1992, these expenses amounted to $46,335 and $52,332, respectively.

Employees, officers and stockholders of certain approved originator and servicing financial institutions of the Board also serve as directors of the Board of Housing.

NOTE 11. PENSION PLAN

All eligible employees of the Montana Board of Housing participate in the Montana Public Employees Retirement System (PERS), a defined benefit plan and cost-sharing multiple-employer public employee retirement system. The Board is required to contribute for full-time employees at the rate of 6.417% of annual compensation under State statute. Employees are required to contribute 6.417% of annual compensation. Part-time employees have an option to belong to the retirement plan, depending upon hours worked.

The total number of Board employees covered during the years ended June 30, 1993 and 1992 was 15 and 14, respectively. The total payroll for these employees was $332,230 in 1993 and $299,230 in 1992. The Board's contributions were $21,801 and $19,232 for the years ended June 30, 1993 and 1992, respectively. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times 60% maximum of final pay. Members' rights become vested after 5 years of service.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The Board is unable to determine the actuarial present value of credited projected benefits and net assets available for benefits since the information is available only on a total State basis, not agency basis.

The pension benefit obligation at June 30, 1992, for the State system as a whole was $1,294,672,261. The system's net assets available for benefits at cost on June 30, 1992, were $1,007,708,403 leaving an overall unfunded pension benefit obligation of $286,963,858. The Board's 1992 contribution represented approximately .05% of total June 30, 1992, contributions required of all participating entities. The Board is not responsible for any state system unfunded liability.

Ten year historical trend information showing the State system's progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1992 annual financial report, which is available from the Montana Department of Administration.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 12. DEFERRED COMPENSATION PLAN

The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The State of Montana administers the plan by contractual arrangement with Nationwide Insurance. The amount of compensation deferred is not available to employees until termination, retirement, death or unforeseen emergency. All amounts deferred under the plan created under Internal Revenue Code Section 457 remain the property of the State of Montana until paid, subject only to claims of the State of Montana's general creditors. Participants' rights under the plan are equal to those of general creditors of the State of Montana in an amount equal to the fair market value of the deferred account for each participant.

NOTE 13. SEGMENT FINANCIAL DATA

Financial data for the Single Family Mortgage Program Funds as of June 30, 1993 are summarized as follows:

	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Single Family III Mortgage Program Funds
Total assets	$ 102,450,269	$ 271,976,378	$ 19,723,286
Total liabilities	$ 82,757,803	$ 229,937,060	$ 19,506,368
Total reserved fund balances	19,692,466	42,039,318	216,918
	$ 102,450,269	$ 271,976,378	$ 19,723,286
Total revenue	$ 7,344,322	$ 26,652,099	$ 1,779,963
Total expense	6,716,895	28,352,085	1,751,476
Excess (deficiency) revenue	$ 627,427	$ (1,699,986)	$ 28,487

	Single Family IV Mortgage Program Funds	Single Family V Mortgage Program Funds	Single Family VI Mortgage Program Funds
Total assets	$ 20,981,621	$ 22,731,890	$ 23,416,829
Total liabilities	$ 20,797,033	$ 22,544,607	$ 23,255,597
Total reserved fund balances	184,588	187,283	161,232
	$ 20,981,621	$ 22,731,890	$ 23,416,829
Total revenue	$ 1,913,480	$ 1,958,492	$ 2,013,084
Total expense	1,886,194	1,919,556	1,966,613
Excess revenue	$ 27,286	$ 38,936	$ 46,471

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 13. SEGMENT FINANCIAL DATA (CONTINUED)

	Single Family VII Mortgage Program Funds	Single Family VIII Mortgage Program Funds
Total assets	$ 23,489,742	$ 24,387,150
Total liabilities	$ 23,368,805	$ 24,317,608
Total reserved fund balances	120,937	69,542
	$ 23,489,742	$ 24,387,150
Total revenue	$ 2,047,634	$ 1,966,219
Total expense	2,010,345	1,900,833
Excess revenue	$ 37,289	$ 65,386

	Single Family IX Mortgage Program Funds	Single Family X Mortgage Program Funds
Total assets	$ 24,744,318	$ 25,127,943
Total liabilities	$ 24,742,339	$ 25,455,342
Total reserved fund balances	1,979	(327,399)
	$ 24,744,318	$ 25,127,943
Total revenue	$ 1,973,602	$ 1,478,091
Total expense	1,908,637	1,719,748
Excess (deficiency) revenue	$ 64,965	$ (241,657)

The Board anticipates the Single Family X Mortgage Program Funds to have excess revenue over expenses in future years. The Single Family II Mortgage Program Funds loss was a result of the extraordinary items due to bond redemptions.

NOTE 14. CONTINGENT ARBITRAGE REBATE TAX LIABILITY PAYABLE TO U. S. TREASURY DEPARTMENT

The Board has established a contingent liability for estimated arbitrage payments due to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. Ninety percent of the estimated rebate will be paid the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

MONTANA BOARD OF HOUSING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1993 and 1992

NOTE 15. DIVERSITY OF CREDIT RISK

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or guaranteed by the VA (Veterans Administration) and FmHA (Farmers Home Administration). Guidelines to minimize credit risk are established by FHA, VA, FmHA and Board policies.

NOTE 16. EXTRAORDINARY LOSS

The Board redeemed on December 1, 1992, on an optional basis, $6,610,000 of Single Family Program Bonds, 1982 Series A at a redemption price of 103% of the principal amount redeemed. The payment of the early redemption premium and the write-off of the remaining deferred bond issuance costs resulted in an extraordinary loss.

On December 29, 1992, the Board issued $22,520,000 Single Family Program Refunding Bonds, 1992 Series RA. The proceeds of these bonds were used to optionally redeem at a price of 102.5% on February 1, 1993, $31,210,000 of Single Family Program Bonds, 1980 Series A. The payment of an early redemption premium and the write-off of the remaining deferred bond issuance costs resulted in an extraordinary loss. Also on December 29, 1992, the Board issued $9,725,000 Multi-Family Mortgage Refunding Bonds, 1992 Series A. The proceeds of these bonds were used to optionally redeem at prices of 101.5% and 103%, respectively, on February 1, 1993, $7,815,000 of Multi-Family Mortgage Bonds, 1979 Series A and $1,910,000 Multi-Family Mortgage Bonds, 1982 Series A. The payment of early redemption premiums and the write off of the remaining deferred bond issuance costs resulted in an extraordinary loss.

The Single Family Refunding reduced the aggregate debt service payments by $10,670,000 over the life of the issued bonds and provided the initial funding for the Disabled Accessible Affordable Housing Pilot Program which was implemented on July 1, 1993. The Multi-Family Refunding reduced the aggregate debt service payments by $4,150,000 over the life of the issued bonds and provided the initial funding for the Multi-Family Pilot Program which was implemented on February 26, 1993.

A summary of the extraordinary loss from optional redemptions during the year ended June 30, 1993 follows:

BOND SERIES	EXTRAORDINARY LOSS	
Single Family Program Bonds 1982 Series A	$ 198,300 95,620	Redemption Premium Deferred Bond Issuance Costs
Single Family Program Bonds 1980 Series A	$ 569,500 642,790	Redemption Premium Deferred Bond Issuance Costs
Multi-Family Mortgage Bonds 1979 Series A and 1982 Series A	$ 174,525 243,683	Redemption Premium Deferred Bond Issuance Costs
Total Extraordinary Loss	$ 1,924,418	

NOTE 17. RESIDUAL EQUITY TRANSFER

The Legislative Assembly of the State of Montana passed a law during July 1992 requiring the transfer of $500,000 from the Board to the State of Montana General Fund. The transfer was completed November 27, 1992, upon receipt of an Attorney General's Opinion.

NOTE 18. SUBSEQUENT EVENTS

Subsequent to June 30, 1993, the Board transferred $1,483,289 to the Housing Authority Enterprise Fund within the State of Montana Treasury in accordance with House Bill 2 (HB2), as adopted by the 1993 Legislative session. This action is for the purpose of transferring the Board's estimated fiscal year 1994 program expenditures on a prospective basis.

In July 1993, the Board adopted a resolution to terminate a pledge of $78,000 of the Housing Trust Fund, established as additional security to affirm bond ratings.

In July 1993, the Board adopted a resolution releasing all Housing Trust Funds from the Fifth Supplemental Trust Indenture, dated May 1, 1993. The Board will transfer all available funds comprising the Housing Trust Fund to the Housing Authority Enterprise Fund within the State of Montana Treasury as directed.

In August 1993, the $174,599 of Housing Trust Fund escrow deposit was transferred to Single Family X, 1992 Series A Bonds.

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